

Local Small Business Reserve Program



FY16 Annual Report



Montgomery County's Local Small Business Reserve Program

Message from the County Executive



Nearly 95% of Montgomery County's companies are considered small businesses. Combined, they are a strong and powerful engine driving the Montgomery County economy. The vitality of our economy and the success of local businesses is one of my top priorities. In December 2008, I announced economic stimulus measures that included eleven action items to sustain and enhance the viability of the business community.

The Local Small Business Reserve Program (LSBRP) is one measure that helps sustain economic growth. Passage of the Local Small Business Reserve Program was the result of cooperation between my office, the County Council and stakeholders in the business community. Under the LSRBP program, Montgomery County Government's departments and agencies must commit to allocate 20% of their purchases of goods and services from the small business community. In FY16, the County spent \$87.5 million with local small businesses, an amount equal to 24.3% of total eligible spending for LSBRP.

Please take a few minutes to read this report. If you are a small business owner who is not registered as an LSRBP, please visit the website to determine your eligibility. If you are eligible, please register your business. We want to work with you.

Message from the Director



The Local Small Business Reserve Program helps ensure that public tax dollars expended by the county government are reinvested into the local economy. Since its inception in FY09, the LSBRP has increased the number and value of contract awards to local small businesses. The Office of Procurement is dedicated to promoting and improving this program.

In FY16, we took additional steps to strengthen the Program by adding a Contract Compliance Module to the Contract Administrator training course. This small but meaningful step will provide county staff with training in LSRBP contracting requirements that will aid them in consistently implementing LSRBP objectives in the procurement process.

This year's LSBRP Annual Report reflects a consistent level of County contract activity with local small businesses since the inception of the program. I look forward to increasing our efforts, supporting growth, and strengthening linkages between the business community and county departments. If you have comments or questions about the report, the LSRBP program, or any of the Office of Procurement's upcoming outreach activities, please contact us at dbrc@montgomerycountymd.gov.



Montgomery County's Local Small Business Reserve Program

Executive Summary

The Local Small Business Reserve Program continued to show growth. Under the LSRBP program, Montgomery County Government's departments and agencies must commit to allocate 20% of their purchases of goods and services from the small business community. In FY16, the County spent \$87.5 million with local small businesses. This amount comprises 24.3% of total eligible spending for LSRBP. The Program hosted several open house events targeted at specific industry sectors to give local small and minority businesses an opportunity for face-to-face interaction with key staff from County departments and with prime contractors.

Montgomery County is home to an active and responsive local small business community. Nearly 95% of Montgomery County's companies are considered small businesses. Local small businesses that employ local residents provide valuable employment opportunities. Through the LSRBP, local businesses provide goods and services to local government and local tax dollars are reinvested in the community. In addition to assuring the reinvestment in the local economy, businesses who have contracts under the LSRBP program are required to pay a living wage, further contributing to quality of life and economic stability within the county. The LSRBP's investment in the local economy is not only a vital resource that directly benefits the economic viability of those businesses that have contracts through the program but it also indirectly benefits other local businesses. The tax dollars used to support LSRBP are an important driver in the local economy and help promote capital, stability, and employment in the county.

In FY16, the Office of Procurement's focus on fully certifying LSRBP vendors increased the number of fully certified LSRBP vendors from 91 to 504. The office also developed a "Certified LSRBP" logo and certificate. These promotional and branding materials are distributed to fully certified LSRBP vendors.



Background

The accomplishments outlined in this report result from several initiatives to stimulate economic growth through local contracting. In FY09, a partial governmental reorganization was implemented creating the Department of General Services and the Office of Business Relations and Compliance. The County Executive and County Council enacted new legislation

and Executive Regulations to expand the County's ability to increase contracting with local businesses:

1. Local Small Business Reserve Bill #3-09 (April 30, 2009) -- Established the DGS Director as the evaluator of a business's capacity to contractually perform
2. County Executive Regulation #2-09 (April 28, 2009) -- Doubled the earnings and employee thresholds for small businesses



Montgomery County's Local Small Business Reserve Program

3. Contracts & Procurement Amendments Bill #45-09 (April 1, 2010) -- Made it easier for small businesses to compete for contracts
4. County Executive Regulation #19-09AM (March 23, 2010) -- Revised Procurement Regulations
5. Expedited Bill #7-15 (March 26, 2015) --- Established the Office of Procurement as a Principal Office of the Executive Branch.
6. Expedited Bill #23-15 (January 1, 2016) – Amended LSBRP eligibility criteria for small businesses in the service sector.
7. County Executive Regulation #6-15 (March 23, 2010) -- Revised Procurement Regulations

Eligibility Requirements

Montgomery County actively seeks local businesses to compete for contracting opportunities with the County Government through the Local Small Business Reserve Program. The County's commitment to maintain a viable and business friendly environment is clearly demonstrated through aggressive engagement and recruiting of eligible businesses and legislation that requires a minimum of 20 percent of eligible purchases of goods, services and construction by the government to be made with local small business. Businesses may apply to the LSBRP by using our online vendor database at www.mcipcc.net. Businesses may participate in the program if they are independently owned, have an economic operational base in Montgomery County, and meet the following sales or employee thresholds:

<i>Business Type</i>	<i>Employee Limit</i>		<i>Prior Three Year's Avg. Sales</i>
Retail	30	OR	\$5 million
Wholesale	30		\$5 million
Service*	100		\$10 million
Construction	50		\$14 million
Manufacturing	40		\$14 million

*Services vendor threshold was increased in FY16

Ongoing Innovative Practices

Among local municipalities, Montgomery County's Local Small Business Reserve Program continues to be a model for implementation, structure, and outreach. Innovative practices used to implement the LSBRP law include:

- Ongoing training for department Contract Administrators on Procurement Compliance Programs including LSBRP, MFD and wage compliance programs.



Montgomery County's Local Small Business Reserve Program

- Initiated series of “Open House” industry-specific events designed to provide vendors and departmental purchasers with an opportunity to meet.
- Distributed weekly newsletters to local small businesses to advertise active solicitations, upcoming contracting opportunities and networking events.
- Developed a social network platform and increased use of social media in communicating with local small businesses.
- Increased participation in industry association meetings and chamber matchmaking and networking sessions to promote the LSBRP program.
- Improved intranet functionality to reduce paper work for Contract Administrators and Procurement Specialists.
- Improved on-line forms and reporting tools for county departments.
- Reduced response time for internal processing of exemption requests.

Expedited Bill 7-15 was passed by the County Council and signed by the County Executive in March 2015. It established the Office of Procurement as a principal Office of the Executive Branch. Through this reorganization, the Office of Procurement became a cabinet-level entity within the Executive Branch of Montgomery County government. In addition to fulfilling the procurement function, the new organizational structure provided renewed focus on the Division of Business Relations and Compliance (DBRC)— the office which ensures vendor compliance with wage laws and contracting programs designed to increase participation of MFD and local small businesses within county contracting programs.

Support & Advocacy

The Division of Business Relations and Compliance provides customized information and technical assistance to individuals and companies seeking opportunities to do business with Montgomery County government. Interested companies are welcome to schedule one-on-one appointments with DBRC staff to learn about the County’s contracting needs, compliance programs, and Procurement processes. DBRC also offers training on how to use online tools to find valuable contracting information, and provides referrals to appropriate departmental contract administrators.

Additionally, DBRC functions as an internal advocate and liaison, connecting the local business community with county departments to facilitate information exchange and contracting resource development. DBRC sends out weekly newsletters to advertise upcoming LSBRP opportunities as well as newly posted LSBRP solicitations.

Marketing & Outreach



Montgomery County's Local Small Business Reserve Program

In 2015, the position of outreach program manager was added to the DBRC. This additional position is designed to enhance outreach efforts to the LSBRP and MFD business communities by providing a dedicated resource responsible for developing and implementing networking events, partnerships with other departments and organizations to expand outreach capacity, and increase vendor awareness of procurement opportunities through direct contact via email, phone and in-person meetings. DBRC, through this new position, has also expanded its online presence with social media platforms such as Facebook (MoCoBRC), Twitter (@MoCoBRC), LinkedIn, etc.

DBRC hosts and attends many networking events. These events help provide direct access to and interface with local small and/or minority businesses. Through panel discussions, seminars and match-making sessions, vendors have an opportunity to gain detailed and individualized information regarding procurement processes and requirements, learn about specific procurement opportunities and obtain business development information.

Targeted events hosted by the Office of Procurement during FY16 to help inform small and minority vendors about County contracting opportunities included:

- Sept 24, 2015 – non-profit outreach “How to do Business with Montgomery County”
- Sept 24, 2015 – Local, Small and Minority Vendor Meet and Greet on the Multi Agency Services Park Depots project
- Sept 29, 2015 – Business Innovation Network workshop (with Department of Economic Development)
- Oct 22, 2015 – Vendor Workshop: Business Financing and Risk Management
- Oct 26, 2015 – MFD Certification and Procurement Workshop (with African American Chamber)
- Nov 9, 2015 – Asian American and Pacific Islanders Meet and Greet (with Senator Susan Lee)
- Jan 29, 2016 – MFD vendor networking event
- Feb 16, 2016 – Prevailing Wage Law workshop
- Mar 14, 2016 – MFD Certification and Procurement Workshop (with African American Chamber)
- April 5, 2016 – Prevailing Wage Law workshop
- May 18, 2016 – Department of General Services Fleet Small Business Day
- June 8, 2016 -- Wheaton Redevelopment MFD Outreach Event

Procurement staff participated as panelists or key speakers at the following events:

- Sept 3, 2015 – The Women’s Power Conference
- Sept 8, 2015 – Maryland Hispanic Business Conference
- Oct 6, 2015 – Maryland Washington Minority Contractors Association quarterly members meeting



Montgomery County's Local Small Business Reserve Program

- Oct 15, 2015 – Hispanic Chamber: Construction Forum
- Oct 28, 2015 – Capital Region Minority Supplier Development Council event
- Oct 29, 2015 – MFD workshop with Sage Solutions GTM
- Oct 29, 2015 – Baltimore Alliance Small Business Procurement Fair
- Dec 4, 2015 – Maryland Women Business Center Rockville: Certification workshop
- Dec 10, 2015 – Annual Minority Legislative Breakfast (by African American, Hispanic American and Asian American Chambers)
- Dec 14, 2015 -- Entrepreneurship Workshop featuring the SBA Admin (by Congressman John K. Delaney's)
- Feb 25, 2016 – Montgomery County Chamber of Commerce contract forum
- Mar 2, 2016 – East County Board Member meeting to introduce the new Procurement Office
- Mar 3, 2016 – Advocate for MBE! (by Hispanic Chamber)
- Mar 16, 2016 – MD Department of Labor Regulations workshop on wage programs
- Apr 6, 2016 – Government Procurement Conference (by Federal Business Council)
- Apr 14, 2016 -- Digital Marketing Summit
- Apr 27, 2016 – Capital Region Super Matchmaker Conference
- May 4, 2016 -- SBA 2016 Small Biz Conference
- May 12, 2016 – MCCC GovConNet Procurement Conference
- May 13, 2016 – MWMCA Annual Spring expo
- May 24, 2016 -- Prince George's County, Best Practices Forum: Supplier Diversity & Contract Compliance
- June 9, 2016 -- SSA Small Business Procurement Conference
- June 15, 2016 -- DC PTAC Small Biz Summit
- June 22, 2016 – Clark Construction Group 2016 Strategic Partnership Program Graduation Event
- June 23, 2016 – Maryland Live! Casino Minority Outreach Fair
- June 28, 2016 -- AMEX Open Business Summit



Montgomery County's Local Small Business Reserve Program

Contracts Awarded to LSBRP (Based on Contract Execution Date)

TABLE 2 - Major contracts (over \$100,000) awarded in FY16 to LSBRP (sorted by dollar amount)

DEPT	Vendor	Description	Amount
DGS	CDCI, Inc.	Task Order Contracts - Construction Services for Various County Facilities	25,000,000
DGS	Haris Design & Construction Company	Task Order Contracts - Construction Services for Various County Facilities	25,000,000
DGS	Kane Construction, Inc.	Montgomery County Circuit Court Interior Alterations	3,105,300
DGS	EAI Security Systems, Inc.	Inspection, Repair, Maintenance and Installation of Electronic Security System	2,815,800
DOT	Holbert Apple Associates, Inc.	Division of Parking Management Operations Consulting Services for Engineering and Testing Services	2,500,000
DGS	EARN Contractors, Inc.	Seasonal Labor	2,500,000
DOT	Hands On, LLC.	Parking Garage Sweeping and Miscellaneous Cleaning Services	1,500,000
DOT	MCV Associates, Inc.	Parking Consulting Services	1,125,000
DTS	Technology Digest, Inc.	LSBRP Consulting and Technical Services	625,000
DTS	Canali Inc. D/B/A FedCMS	LSBRP Consulting and Technical Services	625,000
DTS	Qlaire Systems Incorporated	LSBRP Consulting and Technical Services	625,000
DTS	CoreMax Consulting, Inc.	LSBRP Consulting and Technical Services	625,000
DTS	CTC Technology & Energy	LSBRP Consulting and Technical Services	625,000
DTS	Aquas, Inc.	LSBRP Consulting and Technical Services	625,000
DTS	EEPEX, Inc.	LSBRP Consulting and Technical Services	625,000
DTS	The Index Group, Inc.	LSBRP Consulting and Technical Services	625,000
DOT	Vitavanti, LLC	Parking Garage Sweeping and Miscellaneous Cleaning Services	300,000
CCL	Tedi S. Osias	analytical support and advice on issues before the Council's Planning, Housing, and Economic Development Committee, with emphasis on land use and housing issues.	300,000
DGS	American Reprographics, Inc.	Reproduction and Copying of Engineering Drawings	210,695
REC	Personalized Classics, Inc.	Screen Printed Sports Uniform T-Shirts and Athletic Apparel	200,000
DOT	MCV Associates, Inc.	Manual Video Turning Counts, Spot Speed Distribution Studies and Random Mechanical Counts	150,000
DGS	Aquafree Facilities Services, Inc.	Window and Glass surface cleaning services on an as needed basis for County Facilities	130,000
FRS	Training Outreach, LLC	Senior Citizens Fire Safety Education, Outreach Services and Assessment and Correction of Potential Fire Hazards	100,000
DEP	Kiara's Landscaping, Inc.	Residential Landscape and Solid Waste Removal Services for the Clean and Lien Program	75,000

Procurement Awards in FY16:



Montgomery County's Local Small Business Reserve Program

The following performance indicators reflect both transaction activity as well as payments to businesses. DBRC tracks payments made to local businesses as well as contract awards. It should be noted that payments for work performed may lag behind contract awards by 6 to 12 months and some contract awards may have multi-year terms.

Table 3: Four-year comparison on Eligible LSBRP Awards

Procurement Awards, FY13-FY16								
	FY13		FY14		FY15		FY16	
	Million \$	%	Million \$	%	Million \$	%	Million \$	%
Total Procurement Dollars	\$974.13		\$980.77		\$1,175.89		\$1,171.39	
Eligible for LSBRP Procurement	\$215.12	22.1%	\$299.17	30.5%	\$312.52	26.6%	\$312.19	26.7%
Procurement Expenditure to LSBRP	\$52.63	24.5%	\$73.71	24.6%	\$74.78	23.9%	\$75.70	24.3%

The “eligible” spending against which annual performance is measured is based on the portion of solicitations awarded to LSBRP vendors out of all eligible solicitations, the balance of which are considered open to non-LSBRP businesses.

A Closer Look at Exempted LSBRP Awards

Highlighted in Table 4 are categories significantly impacting the overall availability of annual contracting dollars to local small businesses, or any other businesses: (1) Pre-existing Contracts and (2) Procurements exceeding \$10 million.

1. **Pre-existing Contracts** (highlighted in **YELLOW** in Table 4) - Many County contracts are for terms that exceed a single 12-month period, often extending for three to five years. Therefore, a contract is counted only once in the year of the award, and is not counted in the following years. In FY16 this “pre-existing contract” category equals \$377 million, accounting for 45% of contract expenditures.
2. **Procurements exceeding \$10 million** (highlighted in **GRAY** in Table 4) – Legislation creating the LSBRP initiative requires that all contracts valued under \$10 million will be reserved for competition among local small businesses unless specific exemption criteria apply. Majority of these contracts are construction projects such as constructions of libraries, community centers, recreation centers, etc. In FY16 the County awarded \$383 million in contracts valued over \$10 million, accounting for almost 46% of all contracting dollars awarded in FY16.

These two categories combined for \$760 million, or 91% of all LSBRP exemptions in FY16. This spending distribution is further illustrated in the following tables.

In addition to Pre-existing Contracts and Procurements Exceeding \$10 million, approximately



Montgomery County's Local Small Business Reserve Program

\$73 million in exemptions (highlighted in **GREEN** in Table 4) were for contracts for which no competition was possible since the contracts were with; (a) other public entities, (b) specific companies because of grant requirements, or (c) were non-competitive awards such as contracts with an Original Equipment Manufacturers, sole licensed service providers, or other non-competitive basis approved by the County's Contract Review Committee.

Table 4: Four-year comparison on LSBRP Exemptions (in million \$)

Exemption Categories	FY13		FY14		FY15		FY16	
	\$	%	\$	%	\$	%	\$	%
Chief Administrative Officer Waiver	\$ 0.00	0%	\$0.00	0%	\$0.00	0%	0	0%
Conflicts with law or grant	\$ 5.82	0.81%	\$6.34	0.95%	\$4.51	0.53%	\$5.02	0.59%
Public or Emergency Procurement	\$ 10.99	1.54%	\$14.94	2.27%	\$17.62	2.07%	\$22.61	2.67%
Non-competitive contract	\$ 25.35	3.55%	\$51.61	7.83%	\$52.36	6.16%	\$45.08	5.32%
Pre-existing Contract	\$452.56	63.30%	\$407.54	61.84%	\$412.76	48.58%	\$377.38	44.53%
Procurement Exceeds \$10 million	\$210.35	29.42%	\$172.57	26.19%	\$338.26	39.81%	\$383.90	45.30%
No LSBRP vendor deemed qualified	\$9.82	1.37%	\$6.03	0.91%	\$24.10	2.84%	\$13.41	1.58%
Total Procurement exempted from LSBRP	\$714.90	100%	\$659.03	100%	\$849.61	100%	\$847.40	100%

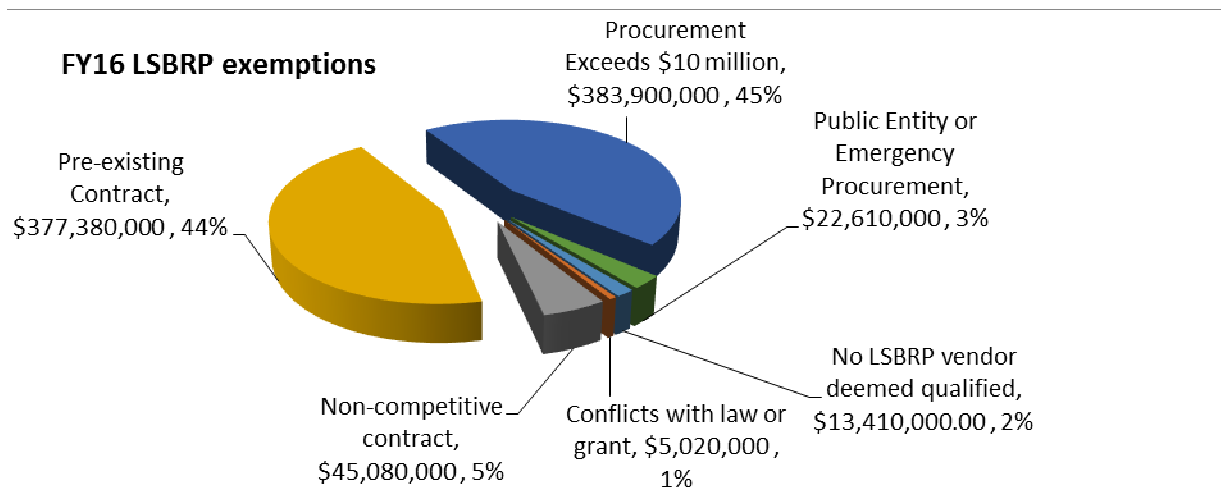


Figure 1: FY16 Exempted Awards breakdown



Montgomery County's Local Small Business Reserve Program

Procurement Awards Summary

As shown in Table 5, a total \$87.5 million was awarded to LSBRP contractors in FY16. Of that, \$11.8 million of the County's FY16 competitive contract opportunities (highlighted in **YELLOW** in Table 5) could be considered available for LSBRP competition. These are opportunities in which it would be reasonably assumed that sufficient competition exists to support a competitive solicitation under the LSBRP as program enrollment increases and resources can be further devoted to identifying companies qualified to meet County requirements.

Table 5: FY16 Procurement Awards Summary

Categories			# of PO	\$ amount value	Sub Total	Exemption Y/N	Awarded LSBRP	Potential Market
Not Exempted	Non-exempt and Awarded non LSBRP	Non-exempt and Awarded non LSBRP	5054	\$233,068,940	\$233,068,940	\$308,778,256		\$333,988,930
	Non-exempt and Awarded LSBRP	Under \$10,000 solicitation, awarded LSBRP	0	\$0	\$75,709,316			
		Non-exempt but Awarded LSBRP	1034	\$38,155,006				
		Advertised LSBRP Solicitation and Awarded LSBRP	562	\$37,554,310				
Exempted from LSBRP	Exempt and Awarded LSBRP	N/A	64	\$11,796,109	\$11,796,109	\$859,202,425		\$833,991,751
	Exempt and Awarded non LSBRP	No LSBRP vendor deemed qualified	171	\$13,414,565	\$847,406,316			
		Conflicts with law or grant	58	\$5,018,742				
		Non-competitive contract	644	\$45,075,044				
		Pre-existing Contract	1504	\$377,382,169				
		Procurement Exceeds \$10 million	128	\$383,902,276				
		Public Entity or Emergency Procurement	98	\$22,613,520				
	Total				\$1,167,980,681			



Montgomery County's Local Small Business Reserve Program

As illustrated in Figure 2, of the \$334 million potential LSBRP opportunities, \$87.5 million (\$75.7 m + \$17.8 m), or 26%, was awarded to local small businesses. This shows that 74% of \$334 million may present potential contracting opportunities for the LSBRP vendors. New local, small businesses may seek to examine the potential for expansion or establishment in these untapped areas.

Potential LSBRP Market Place

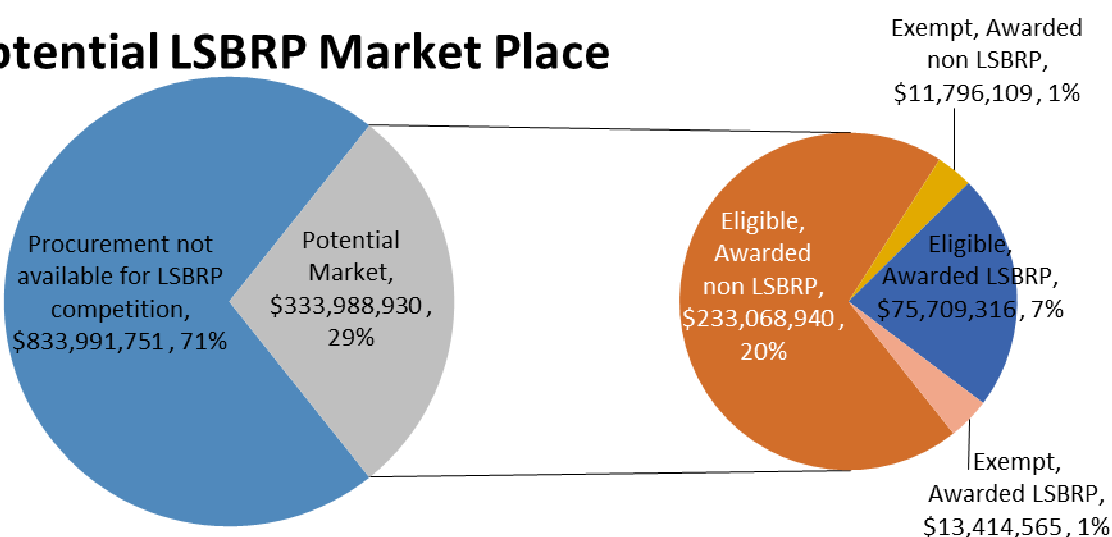


Figure 2: Procurement awards available to LSBRP competition

A total of \$88.5 million was awarded to LSBRP contractors as prime contractors in FY15. As shown in Figure 3, over the last 7 years, awards to LSBRPs have greatly expanded.

Total Awards to LSBRP

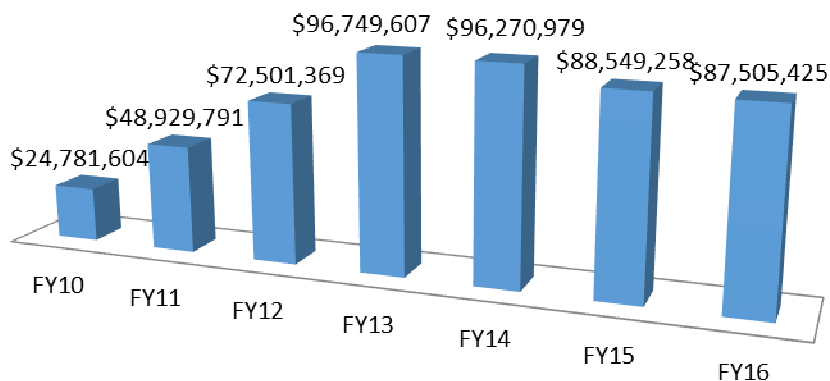


Figure 3: Seven-year comparison on Procurement awards to LSBRP vendors



Montgomery County's Local Small Business Reserve Program

LSBRP Awards by Department

Table 6: Department spending with LSBRP vendors

Department	LSBRP spending	% to Eligible
Board of Investment Trustees	\$1,123,513	10
Circuit Court	\$77,079	12
Community Engagement Cluster	\$136,819	28
Community Use of Public Facilities	\$41,358	29
Department of Correction and Rehabilitation	\$756,693	22
County Council	\$170,000	83
Department of Economic Development	--	--
Department of Homeland Security	\$253,605	7
Department of Environmental Protection	\$8,028,833	42
Department of Finance	\$298,012	28
Department of Fire & Rescue Services	\$2,096,949	26
Department of General Services	\$20,396,181	27
Department of Health & Human Services	\$7,815,814	15
Department of Housing & Community Affairs	\$454,184	11
Office of Human Resources	\$146,384	0
Department of Liquor Control	\$2,625,395	56
Department of Permitting Services	\$213,027	35
Department of Police	\$1,643,633	16
Public Information Office	\$33,115	76
Department of Public Libraries	\$170,848	24
Department of Recreation	\$1,064,757	31
Sheriff' Office	\$188,340	14
Department of Technology Services	\$8,291,289	37
Department of Transportation	\$31,219,954	41

Table 7: Number of Departments that met/did not meet the 20% goal

	FY13	FY14	FY15	FY16
# of Departments that met requirement	22	17	19	15
# of Departments that did not meet requirement	4	7	5	8
Total	26	24	24	23

Concluding Insights

Montgomery County is home to an active and responsive local small business community. Nearly 95% of Montgomery County's companies are considered small businesses. Local small businesses employ local residents, provide good jobs with livable wages, and are a significant driver of the local economy. Local small businesses have benefitted from the Local Small Business Reserve Program. The program provides fair competition among local businesses to ensure the best value for the dollar spent on county contracts. The LSBRP is an investment in the local economy which provides direct, immediate and ongoing benefits.